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RUEHCI/AMCONSUL KOLKATA PRIORITY 3892  
RUEHGV/USMISSION GENEVA PRIORITY 1921  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 3019  
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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 002027

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SUBJECT: NEPAL: PARLIAMENT RESUMES BUT POLITICAL DEADLOCK  
REMAINS

REF: KATHMANDU 1961

Classified By: Charge d'Affaires a. i. Randy W. Berry. Reasons 1.4 (b/  
d)

Summary

11. (C) Nepal's Interim Parliament resumed its regular session November 29 after a 10-day recess, but without any progress on resolving the political deadlock. As expected, a last-ditch meeting of the Six-Party Alliance and the Maoists the morning of November 29 saw no breakthrough. Senior leaders of the Nepali Congress and the Communist Party of Nepal -- United Marxist Leninist are continuing their efforts to persuade the Maoists to go to a Constituent Assembly election by April 2008. But they also stress that they must be prepared to proceed to an election without the Maoists, if necessary. They admit that drastic step will require a restructuring of the current government and request understanding from the international community.

Parliament Resumes

12. (C) On November 29, Speaker Subash Nemwang reconvened the regular session of the Interim Parliament after a 10-day recess. Nemwang had publicly declared the recess on November 19 in order to give the Six-Party Alliance (SPA) and the Maoists more time to resolve the political deadlock over the Constituent Assembly election system and the transformation of Nepal into a republic. (Note: The session on November 19 lasted only ten minutes. It was the first regular session of the Parliament since late August. From October 11 until November 4, the Parliament had been in special session. The special session did not have the authority to adopt regular legislation but it did approve two non-binding motions of public importance by simple majority. One, proposed by the Maoists, called for a fully proportional election system in place of the current mixed one. The other, proposed by the Communist Party of Nepal - United Marxist Leninist ((UML)), directed the Nepali Government to take steps to make Nepal a federal democratic republic. The Nepali Congress had opposed both motions. See reftel. End Note.)

But Deadlock Remains  
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13. (C) As expected, according to Embassy sources, the Parliament resumed its session without any sign of a breakthrough on the political deadlock. In spite of a last-ditch meeting at the Prime Minister's residence of the SPA and the Maoists the morning of November 29, no deal could be reached. The Speaker's Personal Assistant Bhuddi Khanal told Emboff the afternoon of the 29th that most of the senior political leaders were not present in the Chamber; presumably they were engaged in ongoing discussions. The Personal Assistant subsequently indicated that the Chamber had unanimously approved a bill on disappearances and then recessed at 3:30 p.m. The Parliament is scheduled to meet again at 11 a.m. on December 2.

Nepali Congress, UML Continue Efforts to Woo Maoists  
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14. (C) In recent days, senior leaders of the Nepali Congress (NC) and the UML have informed post that they are continuing their efforts to persuade the Maoists to agree to announce a new election date, which would be prior to the end of the Nepali year in mid-April. The idea, according to Dr. Shekhar Koirala, Prime Minister Koirala's nephew and confidant and an NC Central Committee member, is to create positive momentum and persuade a disheartened Nepali public that the parties want an election. The announcement would be followed by an agreement on the election system and the transition to a republic. So far, however, the Maoists are resisting making such an announcement, as UML Central Committee member

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Jhalanath Khanal confirmed to Emboff November 29. Both Dr. Koirala and Khanal openly admit that the Maoists have no desire to face the electorate, so the challenge is finding mechanisms to persuade -- or compel -- them to go along. Koirala stated November 28 that progress on cantonment management, payment to exiting non-combatants and discussion of integration of the People's Liberation Army would be helpful. Khanal had a similar list.

But They Are Also Considering Plan B  
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15. (C) At the same time, both Dr. Koirala, who has been one of the Prime Minister's principal negotiators with the Maoists, and Khanal, who is one of the top five UML leaders, agree that their respective parties must be prepared for the possibility that an acceptable compromise with the Maoists will not be attainable. Dr. Koirala confided to Emboff November 28 that Maoist chief Pushpa Dahal (aka Prachanda) had called him several weeks ago immediately after Dr. Koirala proclaimed that it might be necessary to proceed without the Maoists. Dahal was angry, but Dr. Koirala said he had refused to back down. Khanal was even franker in his meeting with Emboff. He asserted regarding the Maoists: "Either they agree to be integrated into the democratic system or we must destroy them." He went on to stress that proceeding without the Maoists would require a restructuring of the Interim Government and a much closer relationship between Nepal's two principal democratic parties -- the NC and the UML. This would mean a new Home Minister (possibly a UMLer in place of the NC's Krishna Sitaula) and change at the Peace Ministry. For his part, Dr. Koirala emphasized that he had already urged the Prime Minister to fire Sitaula, and that the PM had it under consideration. The PM's confidant also requested the international community's support to hold an election even without the Maoists.

Comment  
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16. (C) Post had heard from some Embassy sources that Prime Minister Koirala was contemplating a cabinet shuffle the week

of November 26, but, with the week nearly over, that prospect seems unlikely. However, it is clear that the level of dissatisfaction within the Nepali Congress over Home Minister Sitaula and his failure to ensure law and order is reaching a fever pitch. Sitaula himself has told at least one Embassy contact that he believes his position is in jeopardy. Whether the Prime Minister will prove able to strike the necessary deal with his mercurial rival, UML General Secretary M.K. Nepal, who has his own ambitions to be Prime

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Minister, remains to be seen. Meanwhile, the Maoists are continuing their efforts to divide the NC and the UML, as they so successfully did during the parliamentary special session. A strong, concerted message from the international community about the necessity of the Constituent Assembly election by April 2008 and of progress on key Comprehensive Peace Accord commitments, currently unfulfilled, would be useful at this juncture. According to press reports, the Danes have already issued a salvo in this regard. Reportedly, Danish Ambassador Finn Thilsted announced yesterday that his government will ask for its money back from Nepal if the country does not hold the election by April.

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